

# 2018 Budget & Financial Sustainability

Council Workshop July 5, 2017

# Special Recognition to:

Kathleen Etheredge, Senior Financial Analyst

Michelle Ferguson, Senior Financial Analyst

Shane Sorenson, Senior Financial Analyst

Barbara Lopez, Deputy Finance Director

# 2018 Mid-Biennium Review

- Guidance to Staff
  - 2018 budget has already been adopted by Council and includes expansion in several areas
  - Finance will update the baseline budget for actions taken after the budget was adopted, including impacts from collective bargaining agreements and state minimum wage increases
  - It will be a hold-the-line budget
- Additional requests will be stringently evaluated against the following criteria:
  - Was not foreseeable during the 2017-2018 budget process and cannot wait until the 2019-2020 budget
  - Fulfills a mission critical need that cannot be accomplished in other ways
  - Comes with new and sustainable revenues and/or an expense reduction in other areas

# 2018 Mid-Biennium Review

- 2018 Adopted Budget includes:
  - 4 Police Officers and 1 Communications Director
    - ~\$620k for positions
- 2018 New GF Budget Requests
  - 3.4 FTEs
    - ~\$405k for positions
    - \$35k for other expenses

# General Fund 2018 Budget Adjustments

2018 Adopted (Gap) / Surplus	4,040
Estimated Baseline Adjustments	(2,314,180)
<b>Adjusted Baseline (Gap) / Surplus</b>	<b>(2,310,140)</b>

## Potential Impact

2018 Budget Requests	(440,000)
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<b>Potential Adjusted (Gap) / Surplus</b>	<b>(2,750,140)</b>
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# 2018 Budget Calendar

September 26 <sup>th</sup>	Council Meeting	Mayor's Budget Message
	Council Workshop	Overview of Proposed Adjustments
October 17 <sup>th</sup>	Council Workshop	All funds baseline and significant changes
November 14 <sup>th</sup>	Council Workshop	Hold/Council Request
November 21 <sup>st</sup>	Council Workshop	Final Decisions
December 5 <sup>th</sup>	Operations Committee	Budget Review and Recommendation(s)
December 12 <sup>th</sup>	Council Meeting	Adoption of the 2018 Property Tax Levy Adoption of the 2018 Budget Adjustment

# Annexation Impact

Annexation Reporting Ends June 2020	
Annexation Sales Tax Credit	(\$4.5m)
Increased Street Fund Subsidy	(\$710k)
Shift of Eligible Costs to CJ Fund	\$505k
<b>Total Estimate</b>	<b>(\$4.7m)</b>



# General Fund 6-Year Forecast

## w/ 2018 Baseline Adjustments & Annexation Impacts

(amounts in thousands)	Adopted		Adjusted	Six-Year Forecast					
	2017	2018	2018	2019	2020	2021	2022	2023	2024
Beginning Fund Balance	19,705	17,708	19,255	19,256	18,034	13,351	5,601	(3,443)	(13,833)
Revenues	92,396	94,566	96,876	99,578	97,789	96,037	97,121	98,156	99,207
Expenditures	94,393	94,562	96,876	100,800	102,472	103,788	106,165	108,546	111,072
Change in Fund Balance	(1,997)	4	0	(1,222)	(4,682)	(7,750)	(9,044)	(10,390)	(11,865)
Ending Fund Balance	17,708	17,712	19,256	18,034	13,351	5,601	(3,443)	(13,833)	(25,698)

### Includes:

- One-time use of \$2.31m banked property tax capacity in 2018
- 2018 budget adjustments ≈ \$2.3m
- Loss of annexation sales tax credit in 2020

### Does not include:

- 2019 potential loss of SST mitigation ≈ \$5m
- An allowance for new positions
- Any additional funding sources

### Estimated 2018 Property Tax Impact

Estimated Assessed Valuation in thousands 17,152,474

#### Estimated Levy Rates

Without Using Banked Capacity 1.36739  
Using \$2.3m Banked Capacity 1.50206

#### Estimated Cost on Home Valued at \$300,000

Without Using Banked Capacity \$ 468  
Using \$2.3m Banked Capacity \$ 514

Estimated Impact \$ 46

\*2018 Beginning Fund Balance based on May 2017 Monthly Financial Report



# General Fund 6-Year Forecast

## w/ 2018 Baseline Adjustments, Annexation Impacts and 4 new FTEs each year

(amounts in thousands)	Adopted		Adjusted	Six-Year Forecast					
	2017	2018	2018	2019	2020	2021	2022	2023	2024
Beginning Fund Balance	19,705	17,708	19,255	19,256	17,574	11,958	2,785	(8,183)	(21,015)
Revenues	92,396	94,566	96,876	99,578	97,789	96,037	97,121	98,156	99,207
Expenditures	94,393	94,562	96,876	101,260	103,405	105,210	108,090	110,988	114,048
Change in Fund Balance	(1,997)	4	0	(1,682)	(5,616)	(9,172)	(10,969)	(12,832)	(14,840)
Ending Fund Balance	17,708	17,712	19,256	17,574	11,958	2,785	(8,183)	(21,015)	(35,856)

### **Includes:**

- An allowance for 3 new Police positions and 1 other GF position each year beginning in 2019
  - Average cost per position \$115k
  - Total cost of \$460k annually

### **Does not include:**

- Any additional funding sources

\*2018 Beginning Fund Balance based on May 2017 Monthly Financial Report

# General Fund 6-Year Forecast

## w/ 2018 Baseline Adjustments, Annexation Impacts, 4 new FTEs each year and revenue sources

	Adopted		Adjusted	Six-Year Forecast					
(amounts in thousands)	2017	2018	2018	2019	2020	2021	2022	2023	2024
Beginning Fund Balance	19,705	17,708	19,255	19,256	21,374	21,353	21,127	19,238	15,628
Revenues	92,396	94,566	96,876	102,128	102,134	103,984	105,200	106,378	107,572
Expenditures	94,393	94,562	96,876	100,010	102,155	104,210	107,090	109,988	113,048
Change in Fund Balance	(1,997)	4	0	2,118	(21)	(225)	(1,889)	(3,610)	(5,476)
Ending Fund Balance	17,708	17,712	19,256	21,374	21,353	21,127	19,238	15,628	10,152

### **Includes:**

- An allowance for 3 new Police positions and 1 other GF position each year beginning in 2019
  - Average cost per position \$115k, total cost of \$460k annually
- Sales Tax shift from Capital Resources Fund beginning in 2019
- Reduced Street Fund Subsidy from General Fund to \$1.0m per year beginning in 2019
- Continuance of 2% internal utility tax in 2021 ≈ \$1.5m reallocated to general operations
- Use of banked property tax capacity
  - \$2.31m in 2018, \$1.7m in 2020, \$1.99m in 2021
- Additional \$500k in revenues for marijuana and card rooms beginning in 2019
- Assumes SST mitigation remains intact

\*2018 Beginning Fund Balance based on May 2017 Monthly Financial Report

# Other Considerations

- Outstanding Budget Challenges:
  - Sustainable and balanced budget / level of service
  - Parks capital
  - Police staffing (included in forecast slides #9 and #10)
  - City campus space planning
- Must Do:
  - Resolve  $\approx$  \$2.3m baseline gap for 2018
- Should Do:
  - Address annual, ongoing structural imbalance
  - Begin to address \$4.7m annexation sales tax credit impact in 2018 mid-biennium budget process
  - Begin planning for potential SST mitigation loss in 2019

# Next Steps

- Mayor will propose a balanced 2018 mid-biennium budget adjustment
- Council process will begin late September 2017
- Policy direction on sustainability strategies
  - Continued conversations
  - Timeline / Milestones